

WINNESHIEK COUNTY
DECORAH, IOWA

FINANCIAL REPORT

JUNE 30, 2004

TABLE OF CONTENTS

		<u>Page</u>
OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		4
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-Wide Financial Statements		
Statement of Net Assets	A	5
Statement of Activities	B	6
Governmental Fund Financial Statements		
Balance Sheet	C	7-8
Statement of Revenues, Expenditures and Changes in Fund Balances	D	9-10
Proprietary Fund Financial Statements		
Statement of Net Assets	E	11
Statement of Revenues, Expenses and Changes in Net Assets	F	12
Statement of Cash Flows	G	13
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets		
Agency Funds	H	14
Notes to Financial Statements		15-35
Required Supplementary Information		
Budgetary Comparison Schedule		
Statement of Receipts, Disbursements, and Changes in Balance - Budget and Actual (Cash Basis) - All Governmental Funds		36
Budget to GAAP Reconciliation		37
Notes to Required Supplementary Information - Budgetary Reporting		38
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		39
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Governmental Activities		
Nonmajor Governmental Funds		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Nonmajor Special Revenue Funds		
Combining Balance Sheet	3	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	43
Business-Type Activities		
Nonmajor Proprietary Funds		
Combining Schedule of Net Assets	5	44
Combining Schedule of Revenues, Expenses and Changes in Net Assets	6	45
Agency Funds		
Combining Schedule of Fiduciary Assets and Liabilities	7	46
Combining Schedule of Changes in Fiduciary Assets and Liabilities	8	47
Comparative Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9	48
Schedule of Findings and Questioned Costs	10	49-50
Schedule of Expenditures of Federal Awards	11	51-52
Notes to the Schedule of Expenditures of Federal Awards		53

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	54-55
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	56-57
MANAGEMENT LETTER	58-62

WINNESHIEK COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Les Askelson	Chairperson	December 2004
Gordon Hunter, Jr.	Vice-Chairperson	December 2004
Dean Darling	Supervisor	December 2006
Mike Bergan	Supervisor	December 2004
John Logsdon	Supervisor	December 2006
Georgiann Schweinefus	County Auditor	December 2004
Wayne Walter	County Treasurer	December 2006
LaVonne Bjergum	County Recorder	December 2006
Leon Bohr	County Sheriff	December 2004
Andrew Van Der Maaten	County Attorney	December 2006
James Alstad	County Assessor	
Lee Bjerke	County Engineer	

INDEPENDENT AUDITOR'S REPORT ON THE
THE FINANCIAL STATEMENTS

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winneshiek County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The County has not maintained a record of all equipment used within the County; therefore, the amount that should be recorded is not known and not recorded in the governmental activities. U.S. generally accepted accounting principles require that all capital assets, net depreciation, be reported in the governmental activities.

In our opinion, except for the effects on the financial statements of the omission of some capital assets, net depreciation which results in an incomplete presentation for the governmental activities as prescribed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities information of Winneshiek County as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2004, on our consideration of Winneshiek County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 4 and pages 36 through 38, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
November 18, 2004

**WINNESHIEK COUNTY
DECORAH, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2004**

Management of Winneshiek County provides this Management's Discussion and Analysis of Winneshiek County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 30.3%, or approximately \$4,216,000, from fiscal 2003 to fiscal 2004. Operating grants and contributions increased approximately \$130,000 and capital grants and contributions increase approximately \$4,227,000, mostly in state road money.
- Program expenses were 8.6%, or approximately \$1,021,000, more in fiscal 2004 than in fiscal 2003. Public safety and legal services expense increased approximately \$290,240 and roads and transportation expenses increased approximately \$845,000.
- The County's net assets increased 16%, or approximately \$5,309,000, from June 30, 2003 to June 30, 2004.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Winneshiek County as a financial whole, or as an entire operating entity.

The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Winneshiek County as a whole and present an overall view of the County's finances and a longer-term view of those finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winneshiek County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other non-major funds presented in total in a single column. For Winneshiek County, the General Fund, MH/DD-Special Revenue Fund, Rural Services-Special Revenue Fund and Secondary Roads-Special Revenue Fund are the most significant funds. The remaining statements provide financial information about activities for which Winneshiek County acts solely as an agent or custodian for the benefit of those outside of the government.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Supplementary Information provides detailed information about the nonmajor special revenue, nonmajor enterprise and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the statement of net assets and statement of activities, the County is divided into two distinct kinds of activities:

Governmental Activities: Most of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and other non-program activities. Property tax, state tax credits and state and federal grants finance most of these activities.

Business-Type Activities: These services are provided on a charge for goods or services basis to recover all of the expenses for the goods or services provided.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses different funds in accordance with the Uniform Financial Accounting for Iowa County Governments to record its financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the General Fund, MH/DD-Special Revenue Fund, Rural Services-Special Revenue Fund and Secondary Roads-Special Revenue Fund.

Governmental Funds

Governmental funds account for most of the County's basis services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds includes: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spend in the near future to finance the County's programs.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary Funds

Proprietary funds account for the County's landfill fund, Burr Oak and Festina Sanitary Systems-Enterprise funds and employee group health insurance-internal service fund. The enterprise funds account for the charges for goods and services received to recover expenses for goods or services provided. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary funds required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

Fiduciary Funds

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for emergency management services, the county assessor, E911 Service Board for some examples.

The fiduciary funds required financial statements include a statement of fiduciary net.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets.

	<u>Condensed Statement of Net Assets</u>	
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 12,901,964	\$ 12,604,960
Capital assets	34,080,025	22,623,473
Total assets	46,981,989	35,228,433
Long-term debt outstanding	3,440,525	3,904,412
Other liabilities	6,583,847	6,760,513
Total liabilities	10,024,372	10,664,925
Net assets		
Invested in capital assets, net of related debt	30,817,449	18,900,178
Restricted	3,602,858	3,663,271
Unrestricted	2,537,310	2,000,059
Total net assets	\$ 36,957,617	\$ 24,563,508
	<u>Business-type Activities</u>	
	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 53,192	\$ 262,825
Capital assets	1,804,290	1,892,812
Total assets	1,857,482	2,155,637
Long-term debt outstanding	217,711	221,021
Other liabilities	25,087	387,196
Total liabilities	242,798	608,217
Net assets		
Invested in capital assets, net of related debt	1,583,414	1,298,907
Restricted	190,239	167,040
Unrestricted	(158,969)	81,473
Total net assets	\$ 1,614,684	\$ 1,547,420

The Winneshiek County's net assets for the governmental activities increased considerably from fiscal 2003 to fiscal 2004, due to the recording of more capital assets. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with the sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-increased for the governmental activities approximately \$537,000 or 26.8% and decreased for the business-type activities approximately \$240,000.

The increase in net assets for the governmental activities is due to increase in capital grants and contributions and operating grants. The decrease in net assets for the business-type activities is due to the landfill enterprise fund paying of the bonds and increasing the amount restricted in net assets invested in capital assets.

The following analysis shows the change in net assets for the year ending June 30, 2004:

	Changes in Net Assets	
	Governmental Activities	
	2004	2003
Revenues:		
Program revenue		
Charges for service	\$ 1,119,553	\$ 948,120
Operating grants	4,985,053	4,854,949
Capital grants	4,683,518	455,661
General revenue		
Property taxes	5,721,201	5,747,254
Local option sales tax	958,144	954,606
Penalty and interest on property taxes	65,567	56,975
State tax credits	385,703	597,240
Franchise tax	55,011	65,163
Rents	101,366	103,358
Unrestricted investment earnings	116,884	144,477
Other	(41,199)	6,518
Total revenues	18,150,801	13,934,321
Program expenses:		
Public safety and legal services	1,632,213	1,341,973
Physical health and social services	1,406,760	1,438,281
Mental health	2,123,683	2,293,321
County environment and education	1,001,871	798,333
Roads and transportation	4,975,597	3,482,883
Government services to residents	284,159	1,065,682
Administration or general government	955,879	950,663
Non-program	266,381	235,232
Interest on long-term debt	194,608	212,845
Total expenses	12,841,151	11,819,213
Increase in net assets	5,309,650	2,115,108
Net assets Beginning of Year	31,647,967	22,448,400
Net assets End of Year	36,957,617	24,563,508

	Business-type activities	
	2004	2003
Revenues:		
Program revenue		
Charges for service	\$ 341,892	\$ 390,404
Unrestricted investment earnings	165	454
Sale of fixed assets	-	-
Transfers out	-	-
Total revenues	342,057	390,858
Program expenses:		
Operating expenses	274,793	307,275
Total expenses	274,793	307,275
Increase in net assets	67,264	83,584
Net assets Beginning of Year	1,547,420	1,463,836
Net assets End of Year	\$ 1,614,684	\$ 1,547,420

As the County completed the year, its governmental funds reported a combined fund balance of \$6,060,738, approximately \$416,000 increase of the 2003 fiscal year end balance of \$5,644,474. The County spent approximately \$1,021,000 more than the prior fiscal year.

- The General Fund received more revenues during fiscal year 2004 through property taxes and intergovernmental revenue. The General Fund expenditures increased moderately over all areas. The ending fund balance showed a modest increase from the prior year of \$1,976,207 to \$2,163,875.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,114,000, a decrease of 7.7% from the prior year. The Mental Health Fund balance at year ended increased by approximately \$160,000 over the prior year.
- Secondary Roads Fund expenditures increased approximately \$1,006,000 over the prior year, due principally to increase in roadway maintenance. This increase in expenditures results in a decrease in the Secondary Roads Fund ending balance approximately \$28,000, or 1.6%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment was made in March 2004 and resulted in an increase in General Fund disbursements related to miscellaneous office equipment purchases. However, this did not require an increase in taxes as the County received more intergovernmental revenues than originally projected.

The amendment made during the 2004 fiscal year should have no impact on the 2005 fiscal year's budget.

The following chart shows the original and amended budget for fiscal 2004 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	Actual Basis	Budget Amounts		Variance
		Original	Final	
REVENUES				
Property and other County tax	\$ 6,688,299	\$ 6,624,078	\$ 6,724,078	\$ (35,779)
Interest and penalty on property tax	64,951	45,150	45,150	19,801
Intergovernmental	6,528,900	7,453,840	7,312,990	(784,090)
Licenses and permits	13,777	12,700	12,700	1,077
Charges for service	584,902	469,449	574,149	10,753
Use of money and property	209,556	247,450	249,450	(39,894)
Miscellaneous	131,600	125,338	127,838	3,762
Total revenues	14,221,985	14,978,005	15,046,355	(824,370)
EXPENDITURES				
Public safety and legal services	1,470,927	1,628,759	1,659,850	188,923
Physical health and social services	1,384,574	1,488,376	1,516,376	131,802
Mental health	2,047,450	2,430,604	2,430,604	383,154
County environment and education services	955,560	1,043,124	1,048,124	92,564
Roads and transportation	4,456,347	4,444,230	4,844,246	387,899
Governmental services to residents	271,639	293,164	307,464	35,825
Administrative services	1,078,454	1,117,261	1,158,365	79,911
Non-program	3,344	5,500	8,150	4,806
Debt service	1,198,480	964,729	1,209,729	11,249
Capital project	1,131,120	1,795,750	1,897,250	766,130
Total expenditures	13,997,895	15,211,497	16,080,158	2,082,263

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, Winneshiek County had \$34,080,025 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities. For the enterprise funds, the County had \$1,804,290 invested in land, landfill and sewer systems. The County is still in process of recording all capital assets for the governmental activities.

The County had depreciation expense of \$1,524,105 for fiscal year 2004 and total accumulated depreciation of \$14,924,850 as of June 30, 2004 for the governmental activities. The County had depreciation/depletion expense of \$88,522 for fiscal year 2004 and total accumulated depreciation/depletion of \$1,037,975 as of June 30, 2004 for the business-type activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the County had approximately \$3,483,000 in bonds and other debt compared to approximately \$4,317,000 last year. More detail is presented in Note 9 to the financial statements.

The County's general obligation bond rating continues to carry the fourth highest rating possible, a rating that has been assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed valued of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$52,476,912 limit.

Other obligations include accrued vacation pay. More detailed information about the County's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winneshiek County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and the few that will be charged for various County activities. One of those factors is the economy. The County's nonagricultural employment had a small decline between fiscal 2003 to fiscal 2004. Unemployment in the County now stands at 4.5% which it was a year ago. This compares with the State's unemployment rate of 4.7% as of November 2004.

The County continues to receive additional Local Option Sales Tax due to the opening of the Super Walmart in Decorah.

The County is anticipating not receiving 100% replacement for Homestead Credit, therefore, the difference will need to be paid by the local taxpayers. Winneshiek County has a very small amount of delinquent property taxes due to the fact that the local taxpayers pay their property taxes in a timely manner.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$14,294,000, a decrease of 5.0% over the final 2004 budget. Property tax (benefiting from the 2004 rate decrease and increase in assessed valuations) and grant receipts are expected to lead the decrease. Due to the decrease in receipts Winneshiek County has planned less expensive road projects for fiscal year 2005. Budgeted disbursements are expected to fall by approximately \$1,546,000 due to the plan decrease in receipts. Increased wage and cost-of-living adjustments will be offset by the decrease in roads and transportation and debt service. The County has added no major new programs or initiatives to the 2005 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Winneshiek County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Winneshiek County, 201 W Main St, Decorah, IA 52101.

WINNESHEIK COUNTY

STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 6,278,486	\$ 36,291	\$ 6,314,777
Receivables			
Property tax			
Delinquent	8,351		8,351
Succeeding year	5,660,962		5,660,962
Accounts	53,483	4,960	58,443
Accrued interest	11,041		11,041
Due from other governments	603,643	11,941	615,584
Inventories	236,084		236,084
Prepaid expenses	37,275		37,275
Investment in insurance pool	12,639		12,639
Nondepreciable assets	2,084,125	9,792	2,093,917
Capital assets, net of accumulated depreciation	31,995,900	1,794,498	33,790,398
Total assets	\$ 46,981,989	\$ 1,857,482	\$ 48,839,471
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 634,808		\$ 634,808
Salaries and benefits payable	151,990	\$ 3,931	155,921
Accrued interest payable	13,647	114	13,761
Due to other funds	(11,927)	11,927	-
Due to other governments	134,367		134,367
Deferred revenue			
Succeeding year property tax	5,660,962		5,660,962
Long-term liabilities			
Portion due within one year			
Bonds payable	365,000		365,000
Notes payable	106,084	3,165	109,249
Compensated absences	177,949	5,950	183,899
Portion due after one year			
Bonds payable	2,565,000		2,565,000
Notes payable	226,492	217,711	444,203
Total liabilities	10,024,372	242,798	10,267,170
NET ASSETS			
Invested in capital assets, net of related debt	30,817,449	1,583,414	32,400,863
Restricted for			
Mental health	1,260,644		1,260,644
Rural service	601,786		601,786
Secondary roads	1,470,874		1,470,874
Other special revenue	241,594		241,594
Other purposes	27,960	190,239	218,199
Unrestricted	2,537,310	(158,969)	2,378,341
Total net assets	36,957,617	1,614,684	38,572,301
Total liabilities and net assets	\$ 46,981,989	\$ 1,857,482	\$ 48,839,471

See Notes to Financial Statements.

WINNEBESK COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total
Governmental activities							
Public safety and legal services	\$ 1,632,213	\$ 9,379	\$ 15,983		\$ (1,606,851)		\$ (1,606,851)
Physical health and social services	1,406,760	337,215	453,056	\$ 2,198	(614,291)		(614,291)
Mental health	2,123,683		851,875		(1,271,808)		(1,271,808)
County environment and education	1,001,871	34,402	180,564	11,874	(774,931)		(774,931)
Roads and transportation	4,975,597	55,465	3,314,130	4,654,187	3,048,185		3,048,185
Government services to residents	284,159	533,137	169,345	15,259	433,582		433,582
Administration or general government	955,879				(955,879)		(955,879)
Nonprogram	266,381	149,955			(116,426)		(116,426)
Long-term debt interest	194,608				(194,608)		(194,608)
Total governmental activities	12,841,151	1,119,553	4,985,053	4,683,518	(2,053,027)	\$ -	(2,053,027)
Business-type activities							
Landfill	224,391	309,636			85,245		85,245
Burr Oak Sewer	28,841	18,295			(10,546)		(10,546)
Festina Sewer	21,561	13,961			(7,600)		(7,600)
Total business-type activities	274,793	341,892	-	-	-	67,099	67,099
Total	\$ 13,115,944	\$ 1,461,445	\$ 4,985,053	\$ 4,683,518	(2,053,027)	67,099	(1,985,928)
General revenues							
Property taxes levied for							
General purposes					5,476,775		5,476,775
Debt service					244,426		244,426
Local option sales tax					958,144		958,144
Penalty and interest on property taxes					65,567		65,567
State tax credits					385,703		385,703
Franchise tax					55,011		55,011
Rents					101,366		101,366
Unrestricted investment earnings					116,884	165	117,049
Loss on sale of capital assets					(41,199)		(41,199)
Total general revenues					7,362,677	165	7,362,842
Change in net assets					5,309,650	67,264	5,376,914
Net assets, beginning of year, restated					31,647,967	1,547,420	33,195,387
Net assets, end of year					\$ 36,957,617	\$ 1,614,684	\$ 38,572,301

WINNESHIEK COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Special Revenue			Other Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
ASSETS						
Cash and pooled investments	\$ 2,037,332	\$ 1,530,690	\$ 467,779	\$ 1,478,249	\$ 306,815	\$ 5,820,865
Receivables						
Property tax						
Delinquent	6,506	852	813		180	8,351
Succeeding year	3,004,238	1,299,699	1,092,948		264,077	5,660,962
Accounts	53,159		11	313		53,483
Accrued interest	9,304				218	9,522
Due from other funds	53,292		11,927		3,454	68,673
Due from other governments	155,918	6,027	152,253	289,445		603,643
Prepaid expenditures	19,536	344	3,195	14,200		37,275
Inventories				236,084		236,084
Investment in insurance pool	12,639					12,639
Total assets	\$ 5,351,924	\$ 2,837,612	\$ 1,728,926	\$ 2,018,291	\$ 574,744	\$ 12,511,497
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 71,592	\$ 157,442	\$ 5,441	\$ 224,874		\$ 459,349
Salaries and benefits payable	74,608	1,644	21,255	54,483		151,990
Due to other governments	16,739	117,628				134,367
Deferred revenue						
Succeeding year property tax	3,004,238	1,299,699	1,092,948		\$ 264,077	5,660,962
Other	5,049	488	335		108	5,980
Compensated absences	15,823	211	4,301	17,776		38,111
Total liabilities	3,188,049	1,577,112	1,124,280	297,133	264,185	6,450,759
Fund balances						
Reserved for						
Inventories				236,084		236,084
Prepaid expenditures	19,536	344	3,195	14,200		37,275
Other	27,960					27,960
Debt service					9,367	9,367
Unreserved						
General fund	2,116,379					2,116,379
Special revenue funds		1,260,156	601,451	1,470,874	301,192	3,633,673
Total fund balances	2,163,875	1,260,500	604,646	1,721,158	310,559	6,060,738
Total liabilities and fund balances	\$ 5,351,924	\$ 2,837,612	\$ 1,728,926	\$ 2,018,291	\$ 574,744	\$ 12,511,497

See Notes to Financial Statements.

WINNEBESIC COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 6,060,738
Amounts reported for governmental activities	
in the statement of net assets are different because:	
Capital assets used in governmental activities are not	
financial resources and therefore are not reported as assets	
in the governmental funds, net of accumulated depreciation of	
\$ 14,924,850	34,080,025
Other long-term assets are not available to pay for current	
period expenditures and therefore are deferred in the funds	5,980
Internal service funds are used by management to charge the costs of self	
funding of the County's health insurance benefit plan to individual funds.	
The assets and liabilities of the internal service fund are included in	
governmental activities in the statement of net assets.	226,935
Other liabilities, including bonds payable and accrued	
interest, are not due and payable in the current period and	
therefore are not reported as liabilities in the funds	
Bonds payable	(2,930,000)
Notes payable	(332,576)
Compensated absences	(139,838)
Accrued interest	(13,647)
Net assets of governmental activities	<u>\$ 36,957,617</u>
Cash and pooled investments of governmental activities include the following reclassifications:	
Internal service fund cash at June 30, 2004	<u>\$ 400,875</u>

See Notes to Financial Statements.

WINNESHIEK COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2004

	General	Special Revenue			Other Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
REVENUES						
Property and other County tax	\$ 2,903,647	\$ 1,345,689	\$ 2,189,528		\$ 248,234	\$ 6,687,098
Interest and penalty on property tax	65,567					65,567
Intergovernmental	1,149,158	925,949	238,848	\$ 3,780,886	38,669	6,133,510
Licenses and permits	838		11,874	865		13,577
Charges for service	525,765		8,603	198	32,375	566,941
Use of money and property	207,136				2,536	209,672
Miscellaneous	107,830	2,424	8,854	17,031		136,139
Total revenues	4,959,941	2,274,062	2,457,707	3,798,980	321,814	13,812,504
EXPENDITURES						
Current						
Public safety and legal services	1,141,631		349,913			1,491,544
Physical health and social services	1,328,522		48,278		4,362	1,381,162
Mental health		2,113,732				2,113,732
County environment and education services	489,274		454,667		1	943,942
Roads and transportation			98,185	4,397,473		4,495,658
Governmental services to residents	236,102		5,280		34,008	275,390
Administrative services	1,080,717					1,080,717
Nonprogram	3,344					3,344
Debt service					821,934	821,934
Capital project	72,296			1,063,452		1,135,748
Total expenditures	4,351,886	2,113,732	956,323	5,460,925	860,305	13,743,171
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	608,055	160,330	1,501,384	(1,661,945)	(538,491)	69,333
OTHER FINANCING SOURCES (USES)						
Transfers in				1,579,518	315,056	1,894,574
Proceeds from disposal of capital assets	20,822			54,850		75,672
General obligation note issued					245,000	245,000
Transfers out	(441,209)		(1,453,365)			(1,894,574)
	(420,387)		(1,453,365)	1,634,368	560,056	320,672
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	187,668	160,330	48,019	(27,577)	21,565	390,005
FUND BALANCES, beginning of year	1,976,207	1,100,170	556,627	1,748,735	288,994	5,670,733
FUND BALANCES, end of year	\$ 2,163,875	\$ 1,260,500	\$ 604,646	\$ 1,721,158	\$ 310,559	\$ 6,060,738

See Notes to Financial Statements.

WINNESHIEK COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the statement of activities		
Net change in fund balances - total governmental funds		\$ 390,005
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation	\$ (1,524,105)	
Capital outlays	<u>5,921,396</u>	4,397,291
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds		
Property tax		(7,751)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		
		705,719
Proceeds of long-term debt issuance are included in the governmental funds but increase long-term liabilities in the statement of activities.		
		(245,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
		981
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities.		
		65,237
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		<u>3,168</u>
Change in net assets of governmental activities		<u>\$ 5,309,650</u>

See Notes to Financial Statements.

WINNESHIEK COUNTY

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	Business-type Activities				Governmental	
	Landfill	Burr Oak Sewer Fund	Festina Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service
ASSETS						
Cash and pooled investments		\$ 17,882	\$ 7,488	\$ 10,921	\$ 36,291	\$ 400,875
Receivables						
Accounts		4,960			4,960	
Accrued interest receivable						1,519
Due from other governments	\$ 11,941				11,941	
Total current assets	11,941	22,842	7,488	10,921	53,192	402,394
Noncurrent assets						
Land		6,292	3,500		9,792	
Net capital assets	793,876	494,566	506,056		1,794,498	
Total noncurrent assets	793,876	500,858	509,556	-	1,804,290	-
Total assets	\$ 805,817	\$ 523,700	\$ 517,044	\$ 10,921	\$ 1,857,482	\$ 402,394
LIABILITIES AND NET ASSETS						
Liabilities						
Salaries and benefits payable	\$ 3,931				\$ 3,931	\$ 175,459
Accrued interest payable		\$ 51	\$ 63		114	
Due to other funds	11,927				11,927	
Long-term liabilities						
Notes payable		1,590	1,575		3,165	
Compensated absences	5,950				5,950	
Total current liabilities	21,808	1,641	1,638		25,087	175,459
Noncurrent liabilities						
Long-term debt		91,142	126,569		217,711	
Total liabilities	21,808	92,783	128,207		242,798	175,459
Net assets						
Invested in capital assets, net of related debt	793,876	408,126	381,412		1,583,414	
Restricted		125,167	54,151	\$ 10,921	190,239	
Unrestricted	(9,867)	(102,376)	(46,726)		(158,969)	226,935
Total net assets	784,009	430,917	388,837	10,921	1,614,684	226,935
Total liabilities and net assets	\$ 805,817	\$ 523,700	\$ 517,044	\$ 10,921	\$ 1,857,482	\$ 402,394

See Notes to Financial Statements.

WINNESHIEK COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2004

	Business-type Activities				Governmental	
	Landfill	Burr Oak Sewer Fund	Festina Sewer Fund	Nonmajor Enterprise Funds	Total	Internal Service
OPERATING REVENUES						
Charges for service		\$ 18,295	\$ 13,961		\$ 32,256	\$ 556,240
Landfill rentals	\$ 162,178				162,178	
Contract services	147,458				147,458	
Total operating revenues	309,636	18,295	13,961		341,892	556,240
OPERATING EXPENSES						
Wages and benefits	151,235	715	3,027		154,977	
Depletion	63,677				63,677	
Depreciation		13,028	11,816		24,844	
Other		10,388	890		11,278	
Insurance claims paid						275,953
Administrative fees						227,342
Total operating expenses	214,912	24,131	15,733		254,776	503,295
Operating income (loss)	94,724	(5,836)	(1,772)		87,116	52,945
NONOPERATING REVENUES (EXPENSES)						
Interest income		128	37		165	12,292
Interest expense	(9,479)	(4,710)	(5,828)		(20,017)	
Net nonoperating revenues (expenses)	(9,479)	(4,582)	(5,791)		(19,852)	12,292
Income before contributions and transfers	85,245	(10,418)	(7,563)		67,264	65,237
TRANSFERS						
Transfer in		6,226	7,342	\$ 14,952	28,520	
Transfer out		(6,864)	(8,088)	(13,568)	(28,520)	
	-	(638)	(746)	1,384	-	-
Change in net assets	85,245	(11,056)	(8,309)	1,384	67,264	65,237
NET ASSETS, beginning of year	698,764	441,973	397,146	9,537	1,547,420	161,698
NET ASSETS, end of year	\$ 784,009	\$ 430,917	\$ 388,837	\$ 10,921	\$ 1,614,684	\$ 226,935

See Notes to Financial Statements.

WINNESHIEK COUNTY

EXHIBIT G

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2004

	Business-type Activities				Total	Governmental Activities
	Landfill	Burr Oak Sewer Fund	Festina Sewer Fund	Nonmajor Enterprise Funds		Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from contract labor	\$ 150,619				\$ 150,619	
Cash received from affiliate	210,500				210,500	
Cash received from rent	171,195				171,195	
Cash received from charges for services		\$ 14,202	\$ 14,125		28,327	\$ 609,135
Cash payments to employees for services	(151,235)	(715)	(3,027)		(154,977)	
Cash payments to suppliers for services		(10,388)	(890)		(11,278)	(520,537)
Net cash provided by operating activities	381,079	3,099	10,208		394,386	88,598
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating transfers in		6,226	7,342	\$ 15,524	29,092	
Operating transfers (out)		(6,864)	(8,088)	(20,910)	(35,862)	
		(638)	(746)	(5,386)	(6,770)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments on notes payable		(1,515)	(1,507)		(3,022)	
Retirement of bonds	(370,000)				(370,000)	
Interest paid on long-term borrowing	(11,079)	(4,710)	(5,836)		(21,625)	
Net cash used in capital and related financing activities	(381,079)	(6,225)	(7,343)		(394,647)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments		128	37		165	11,299
Net increase (decrease) in cash and cash equivalents	-	(3,636)	2,156	(5,386)	(6,866)	99,897
CASH and CASH EQUIVALENTS, beginning of year	-	21,518	5,332	16,307	43,157	300,978
CASH and CASH EQUIVALENTS, end of year	\$ -	\$ 17,882	\$ 7,488	\$ 10,921	\$ 36,291	\$ 400,875
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	\$ 94,724	\$ (5,836)	\$ (1,772)		\$ 87,116	\$ 52,945
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and depletion	63,677	13,028	11,816		88,521	
(Increase) decrease in accounts receivable		(4,093)	164		(3,929)	
Decrease in accounts payable						(17,243)
Decrease in due from other governments	225,547				225,547	
Increase in salaries and benefits payable	121				121	
Increase in deferred revenue						52,896
Decrease in accrued compensated absences	(2,990)				(2,990)	
Net cash provided by operating activities	\$ 381,079	\$ 3,099	\$ 10,208	\$ -	\$ 394,386	\$ 88,598

See Notes to Financial Statements.

WINNEBIEK COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2004

ASSETS	
Cash and pooled investments	
County Treasurer	\$ 905,796
Other County officials	3,556
Receivables	
Property tax	
Delinquent	9,950
Succeeding year	15,202,199
Accounts	23,920
Accrued interest	151
Prepaid insurance	1,775
	<hr/>
Total assets	\$ 16,147,347
	<hr/> <hr/>
LIABILITIES	
Accounts payable	\$ 13,899
Salaries and benefits payable	7,018
Due to other governments	16,110,475
Trusts payable	11,166
Compensated absences	4,789
	<hr/>
Total liabilities	\$ 16,147,347
	<hr/> <hr/>
NET ASSETS	\$ None
	<hr/> <hr/>

See Notes to Financial Statements.

WINNESHIK COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Winneshiek County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Winneshiek County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Winneshiek County Assessor's Conference Board, Northeast Iowa Mental Health Center, Emergency Management Services, Winneshiek County Area Solid Waste Agency and Winneshiek County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in agency funds of the County.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the County. Governmental activities, which are normally supported by property tax and intergovernmental revenues, or other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as other nonmajor governmental and other nonmajor enterprise funds. The internal service fund is presented in a single column on the face of the proprietary fund statements.

The funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund accounts for all the financial resources of the County, except for those required to be accounted for by other funds. The revenues of the general fund are primarily derived from general property taxes, charges for services, licenses and permits, and certain revenues from state and federal sources. The expenditures of the general fund primarily relate to general administration, public safety and legal services, physical health and social services, county environment and education services, governmental services to residents and administrative services.

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. The funds in this category are rural services, secondary roads, and Mental Health/Development Disabilities (MH/DD) Services.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Proprietary Fund Types

Enterprise Fund

Enterprise funds are used to account for operations and activities that are financed and operated in a matter similar to a private business enterprise and where the costs of providing goods or services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges or where the County has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. One enterprise fund of the County is used to account for the lease of the landfill to the Winneshiek County Area Solid Waste Agency and contract labor provided to the Agency by the County. The County also utilizes enterprise funds to account for the operation of the Burr Oak and Festina Sanitary Sewers.

Internal Service Fund

Internal service fund is utilized to account for the financing of health insurance provided to the employees of the various departments of the County.

Fiduciary Fund Types

Agency Funds

The agency funds are used to account for assets held by the County in a trustee or custodial capacity for other entities, such as individual, or other governmental units.

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus as defined below in item b.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental fund financial statements are accounted for on current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

1. Nature of Operations and Significant Accounting Policies (Continued)b. Significant Accounting Policies (Continued)

Measurement Focus (Continued)

- b. The proprietary funds are accounted for on economic resources measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. In reporting the financial activity on the proprietary fund statements, the County applies all applicable GASB pronouncements. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. Nature of Operations and Significant Accounting Policies (Continued)b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments), and charges for service and interest revenue. Revenues from licenses and permits, fines and forfeitures, refunds and reimbursements and other miscellaneous sources are generally recognized when received in cash as they are generally not measurable until actually received.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

Cash Management, Cash Equivalents and Investments

The County Treasurer maintains two primary demand deposit accounts through which the majority of the County's cash resources are processed.

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the general fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the special revenue funds consist of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types and expenses in the proprietary fund types when used. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2004 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets in the proprietary fund are capitalized in the fund in which they are utilized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The County is in the process of gathering information and has not included equipment used within the county offices. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years:

Land, buildings and improvements	\$25,000
Equipment and vehicles	5,000
Infrastructure, road networks	50,000

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	25-50
Land improvements	10-50
Equipment	3-20
Vehicles	5-15
Infrastructure, road network	10-65

Depletion is recorded on the landfill using the useful life of 27 years for the year ended June 30, 2004.

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable

Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Deferred Revenue

In the fund financial statements certain revenues are measurable, they are not available. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year end. Deferred revenue on the statement of net assets consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

County employees receive vacation leave at the following rates:

<u>Years of Service</u>	<u>Vacation Credited on Anniversary Date</u>
After 1	35 hours - 1 week
2	70 hours - 2 weeks
8	105 hours - 3 weeks
12	140 hours - 4 weeks

Employees may accumulate up to 20 days vacation. Sick leave accrues at the rate of two days per month and employees may accumulate up to 120 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy prohibits payoff of accumulated sick leave at termination of employment. Consequently, no liability for accumulated sick leave at June 30, 2004 has been determined or presented. In accordance with GASB Statement 16, the County has accrued the liability for accrued vacation leave in the accompanying fund financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. The County's approximate maximum liability for accrued vacation pay at June 30, 2004 is \$183,899.

In accordance with the Code of Iowa Chapter 509A.13 the County provides post-employment health care benefits. Employees retiring before attaining sixty-five years of age may continue participation in the plan at their own expense until the employee attains sixty-five years of age.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Fund Balance

In the governmental fund financial statements, reservation of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances are used first when an expenditure is incurred for purposes for both reserved and unreserved fund balances.

Net Assets

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Revenues, Expenditures and Expenses

Property tax revenue recognized in the governmental funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Federal and state grants, primarily capital grants, are recorded as revenue when the expenditures for the purpose of the grant have been incurred. Substantially all other shared revenues are recorded during the period when received from the collecting authority, the State of Iowa.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants and improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$341,360 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2004:

Governmental		
General fund		
Department of Human Service reimbursement	\$	34,170
Medicaid		25,752
Medicare		52,781
Other		43,215
		<u>155,918</u>
Special revenue		
Mental health fund		
Other		6,027
		<u>6,027</u>
Rural service fund		
Local option sales tax		152,253
		<u>152,253</u>
Secondary roads fund		
Department of Human Service reimbursement		26,175
Road use tax		261,491
Other		1,779
		<u>289,445</u>
Total governmental		<u>603,643</u>
Business-type		
Proprietary		
Finance agreement landfill		11,941
		<u>11,941</u>
	\$	<u>615,584</u>

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities				
Land	\$ 450,125			\$ 450,125
Infrastructure in progress	458,000	\$1,634,000	\$ 458,000	1,634,000
	<u>908,125</u>	<u>1,634,000</u>	<u>458,000</u>	<u>2,084,125</u>
Capital assets being depreciated				
Buildings	7,451,510			7,451,510
Equipment	5,136,912	867,267	432,939	5,571,240
Infrastructure	29,903,000	3,995,000		33,898,000
	<u>42,491,422</u>	<u>4,862,267</u>	<u>432,939</u>	<u>46,920,750</u>
Total capital assets being depreciated				
Less accumulated depreciation				
Buildings	2,127,193	178,215		2,305,408
Equipment	2,204,253	316,602	316,068	2,204,787
Infrastructure	9,385,367	1,029,288		10,414,655
	<u>13,716,813</u>	<u>1,524,105</u>	<u>316,068</u>	<u>14,924,850</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>28,774,609</u>	<u>3,338,162</u>	<u>116,871</u>	<u>31,995,900</u>
Governmental activities Capital assets, net	<u>\$29,682,734</u>	<u>\$4,972,162</u>	<u>\$ 574,871</u>	<u>\$34,080,025</u>
Business-type activities				
Land	\$ 9,792			\$ 9,792
Capital assets being depreciated or depleted				
Equipment	1,178,773			1,178,773
Landfill	1,653,700			1,653,700
	<u>2,832,473</u>			<u>2,832,473</u>
Total capital assets being depreciated or depleted				
Less accumulated depreciation or depletion				
Equipment	153,306	\$ 24,844		178,150
Landfill	796,147	63,678		859,825
	<u>949,453</u>	<u>88,522</u>		<u>1,037,975</u>
Total accumulated depreciation or depletion				
Total capital assets being depreciated or depleted, net	<u>1,883,020</u>	<u>(88,522)</u>		<u>1,794,498</u>
Business-type activities Capital assets, net	<u>\$ 1,892,812</u>	<u>\$ (88,522)</u>	<u>\$ None</u>	<u>\$ 1,804,290</u>

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities		
Public safety and legal services		\$ 101,625
Physical health and social services		86,690
Mental health		12,429
County environment and education		5,873
Roads and transportation		<u>1,317,488</u>
		<u>\$1,524,105</u>
Business-type activities		
Burr Oak sewer fund		\$ 13,028
Festina sewer fund		<u>11,816</u>
		<u>\$ 24,844</u>

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Governmental		
General fund	Services	\$ <u>16,739</u>
Special revenue fund		
MH/DD	Services	<u>117,628</u>
Total for governmental		<u>\$ 134,367</u>
Fiduciary		
Agency		
County assessor	Collections	\$ 282,432
Schools		10,553,954
Area schools		442,657
Corporations		3,168,761
Auto license and use tax		364,692
Other		<u>1,297,979</u>
Total for agency funds		<u>\$16,110,475</u>

6. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

NOTES TO FINANCIAL STATEMENTS

6. Pension and Retirement Benefits (Continued)

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. For the years ended June 30, 2003 and 2002, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$229,340, \$221,374, and \$217,477, respectively, equal to the required contributions for each year.

7. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2004 amount to \$862,981. Of these commitments, \$9,209 will be funded by state and federal grants.

The Board of Supervisors has agreed to provide Oneota Riverview Care Facility financial support of \$46,000 per year for repairs and maintenance for the period July 1, 2004 through June 30, 2005. The County guaranteed a \$400,000 note payable for Oneota Riverview Care Facility. There was no balance as of June 30, 2004 and the guaranty ended October 24, 2004.

The County has entered into an agreement with the City of Decorah for an aerial fire truck. The County will contribute \$5,000 a year through June 30, 2008.

The County entered into a 28E Agreement with Allamakee County to share the cost of the CPC personnel. Each county will pay fifty percent of wages and benefits. The agreement shall remain in full force and effect until such time as the Board of Supervisors for one of the participating counties passes a resolution withdrawing from the agreement and provides at least sixty days notice before the withdrawal is effective.

The County entered into an agreement to administer a \$500,000 CDBG grant to help fund a child care center for NICC Calmar Campus.

The County entered into a union contract with the Sheriff's department that is in effect from July 1, 2004 through June 30, 2005.

8. Leases

The City of Decorah has leased land to Winneshiek County under a 99 year lease for \$1 per year for the Sheriff's office and jail.

The City of Decorah has leased space to Winneshiek County within the City's Police Department for \$57,960 from July 1, 2004 through June 30, 2005.

The County has agreed to lease the recycling building to Spectrum Industries, Inc. for 99 years starting October 1, 1995. The lease requires \$1 payments each year.

The County has agreed to lease land to Winneshiek County Area Solid Waste Agency until December 2013.

The County is leasing land to various entities for a nominal fee over long-term arrangements in association with the health campus.

Future lease payments under these agreements are as follows:

Year ended June 30, 2005	<u>\$ 57,960</u>
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NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2004 was as follows:

	<u>Balance June 30, 2003</u>	<u>Issued</u>	<u>(Paid)</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
General Obligation Bonds					
County refunding	\$1,710,000		\$ (175,000)	\$1,535,000	\$ 190,000
County jail bonds	<u>1,565,000</u>		<u>(170,000)</u>	<u>1,395,000</u>	<u>175,000</u>
Total bonds	<u>3,275,000</u>		<u>(345,000)</u>	<u>2,930,000</u>	<u>365,000</u>
Other liabilities					
Notes/leases payable	448,295	\$245,000	(360,719)	332,576	106,084
Compensated absences	<u>181,117</u>	<u>177,949</u>	<u>(181,117)</u>	<u>177,949</u>	<u>177,949</u>
Total other liabilities	<u>629,412</u>	<u>422,949</u>	<u>(541,836)</u>	<u>510,525</u>	<u>284,033</u>
Governmental activities					
Long-term liabilities	<u>\$3,904,412</u>	<u>\$422,949</u>	<u>\$ (886,836)</u>	<u>\$3,440,525</u>	<u>\$ 649,033</u>
Business-type activities					
General Obligation Solid					
Waste Disposal Bonds	\$ 370,000		\$ (370,000)	\$ None	\$ None
Other liabilities					
Notes payable	223,879		(3,003)	220,876	3,165
Compensated absences	<u>8,942</u>	<u>\$ 5,950</u>	<u>(8,942)</u>	<u>5,950</u>	<u>5,950</u>
Total other liabilities	<u>232,821</u>	<u>5,950</u>	<u>(11,945)</u>	<u>226,826</u>	<u>9,115</u>
Business-type activities					
Long-term liabilities	<u>\$ 602,821</u>	<u>\$ 5,950</u>	<u>\$ (381,945)</u>	<u>\$ 226,826</u>	<u>\$ 9,115</u>

General Obligation Bonds

On December 1, 1993 the County issued \$2,210,000 of General Obligation County Refunding Bonds. The proceeds of these bonds were used to refinance existing debt. The issue of bonds bears interest ranging from 4.75% to 5.75% and matures from June 2005 to June 2011. The County's intent in the sale was to take advantage of lower interest rates.

On April 1, 1999 the County issued General Obligation County Jail Bonds worth \$2,165,000. The proceeds from this issue were used to finance construction of the new jail. The issue of bonds bears interest ranging from 4.15% to 4.55% and matures from June 1, 2005 to June 1, 2011.

Notes Payable

Department of Natural Resources

In September 1995, the County entered into an agreement with the Department of Natural Resources (DNR) to finance construction of a recycling building for Spectrum Industries, Inc. The note is non-interest bearing and requires quarterly payments of \$6,208 from July 15, 2004 to October 15, 2006.

9. Long-term Debt Obligations (Continued)

Notes Payable (Continued)

USDA Rural Development

In April 1993 the County issued revenue notes totaling \$105,000 at 5% interest due in annual payments of \$6,226 starting July 1995 through 2032. These notes were used to partially finance the Burr Oak Sewer Project, and are recorded in the enterprise fund. Interest expense of \$4,710 is reported in the Burr Oak Sewer enterprise fund.

In April 2000 the County issued revenue notes totaling \$132,500 at 4.5% interest due in annual payments of \$7,342 starting July 2003 through 2039. These notes were issued to partially finance the Festina Wastewater Collection and Treatment System Project. Interest expense of \$5,828 is reported in the Festina Sewer enterprise fund.

Security State Bank

In May 2004 the County entered an agreement with Security State Bank to partially finance construction of the new County jail. The note was for \$245,000 at 2.4% interest and matures from June 1, 2005 to June 1, 2008.

Iowa Department of Transportation

In February 2003 the County entered an agreement with Iowa Department of Transportation to purchase land and building on contract. The note was for \$105,000 with no interest and matures from May 1, 2004 to May 1, 2005.

Interest expense of \$9,479 is reported in the Landfill enterprise fund. Interest costs incurred and charged to expenses was \$194,608 for the year ended June 30, 2004.

A summary of the principal and interest maturities by type of debt is as follows:

Year ending June 30,	Governmental Activities			
	Notes/Leases Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 106,084	\$ 5,962	\$ 365,000	\$ 143,695
2006	84,834	4,623	380,000	127,409
2007	76,658	3,163	395,000	109,889
2008	65,000	1,586	420,000	90,955
2009			435,000	70,155
2010-2011			935,000	73,159
Subtotal	<u>332,576</u>	<u>15,334</u>	<u>2,930,000</u>	<u>615,262</u>

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations (Continued)

Year ending June 30,	Business-type Activities			
	Notes/Leases Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 3,022	\$ 10,546		
2006	3,165	10,403		
2007	3,315	10,253		
2008	3,473	10,095		
2009	3,638	9,930		
2010-2014	20,953	46,886		
2015-2019	26,434	41,406		
2020-2024	33,351	34,488		
2025-2029	42,087	25,753		
2030-2034	45,190	16,179		
2035-2039	30,866	5,844		
2040	5,382	1,772		
Subtotal	<u>220,876</u>	<u>223,555</u>	\$ None	\$ None
	<u>\$ 553,452</u>	<u>\$ 238,889</u>	<u>\$ 2,930,000</u>	<u>\$ 615,262</u>

At June 30, 2004, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	<u>\$1,049,538,234</u>
Debt limit - 5% of total assessed valuation	\$ 52,476,912
Debt applicable to debt limit	
General obligation bonded debt outstanding	(2,930,000)
Other debt	<u>(705,349)</u>
Legal debt margin	<u>\$ 48,841,563</u>

10. Due to/from Other Funds

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 53,292	
Special revenue funds		
Rural services	11,927	
Nonmajor governmental funds	3,454	
Enterprise funds		
Landfill		\$ 11,927
Agency funds		<u>56,746</u>
	<u>\$ 68,673</u>	<u>\$ 68,673</u>

NOTES TO FINANCIAL STATEMENTS

11. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund		
Secondary roads		\$ 126,153
Nonmajor governmental		315,056
		<u>441,209</u>
Special revenue		
Rural services		1,453,365
Secondary roads	\$ 1,579,518	
	<u>1,579,518</u>	<u>1,453,365</u>
Nonmajor governmental	<u>315,056</u>	None
Total	<u>\$ 1,894,574</u>	<u>\$ 1,894,574</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

12. Fund Equity

The amounts reserved at June 30, 2004 are as follows:

Reserved fund balances	
General fund	
Prepaid expenditures	\$ 19,536
Equity in insurance pool	12,639
Forfeiture	15,321
	<u>47,496</u>
Special revenue fund	
Mental health	
Prepaid expenditures	344
Rural services	
Prepaid expenditures	3,195
Secondary roads	
Inventories	236,084
Prepaid expenditures	14,200
	<u>253,823</u>
	<u>\$ 301,319</u>
Restricted net assets	
Proprietary funds	
Burr Oak Sewer	\$ 125,167
Festina Sewer	54,151
Nonmajor proprietary funds	10,921
	<u>\$ 190,239</u>

13. Joint Venture

The County is a participant in the Winneshiek County Area Solid Waste Agency. The County has agreed to guarantee revenue to the agency from County residents. The guarantee equals base year usage by County residents as a percentage of all base year usage sufficient to fund \$2,000,000 of bonded indebtedness amortized over 12 years. The guarantee is an automatically renewable 5 year commitment. The County appoints a member to the agency board and is guaranteed access to the landfill so long as it is a member. The agency board sets tonnage fee rates which are charged to contracted haulers who are responsible for garbage collection and billing and collecting from local residents. Audited financial statements of Winneshiek County Area Solid Waste Agency are available at the Agency's office located at 2000 140th Avenue, Decorah, IA 52101.

14. Accrued Closure and Postclosure Care Costs

Since the County owns the land and leases it to the Winneshiek County Area Solid Waste Agency, it is ultimately responsible for the closure and postclosure cost of the landfill. The County is under the understanding that the Agency will cover these costs through their operations. The landfill site is currently regulated by the Iowa Department of Natural Resources (DNR).

DNR regulations require that the Agency place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$2,484,938 as of June 30, 2004, which is based on 43% usage (filled) of the landfill. It is estimated that an additional \$3,368,662 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2025).

The estimated total current cost of the landfill closure and postclosure care (\$5,853,600), as prepared by the Agency's engineering consultant, is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2004. Closure and postclosure care costs charged to operations for the year ended June 30, 2004 were \$299,878. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. This estimate is reviewed annually by the Agency.

Additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to landfill users and/or Agency equity.

Management believes that the Agency has materially complied with all state laws and regulations regarding closure and postclosure care financial assurance requirements. The Agency has demonstrated financial assurance for closure and postclosure care costs by using the bond rating test as provided in Chapter 111.6(6) of the Iowa Administrative Code; accordingly, no assets have been specifically restricted for this purpose. Management intends to fund these costs throughout the life of the landfill.

15. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2004 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County is currently contingently liable to perform environmental clean up at two locations due to the Iowa Department of Natural Resources (DNR) classifying them as high risk sites. Proposals have been submitted to the Iowa DNR outlining the County's plans for clean up. As of June 30, 2004, no ruling has been made by the Iowa DNR. As a result, no estimate can be made of future clean up costs. Funds may be available from the Iowa Comprehensive Petroleum Underground Storage Tank fund to offset some of these potential costs.

The County has certain contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position or results of operations of the County.

16. Risk Management

Winneshiek County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

16. Risk Management (Continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$139,746.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal. As of June 30, 2004 the investment in the insurance pool had a balance of \$12,639 which is reflected as an asset on the County's statement of net assets.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, the farm, the boiler and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$500,000 and \$100,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

17. Employee Health Insurance Plan

Winneshiek County is partially self-insured for health insurance coverage. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000 and \$757,368 overall annually. Claims in excess of coverage are insured through purchase of stop loss insurance.

NOTES TO FINANCIAL STATEMENTS

17. Employee Health Insurance Plan (Continued)

Monthly payments of service fees and plan contributions to the County's health fund are recorded as expenditures from the operating funds. Under administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield of Iowa from the County's health fund. The County records the plan assets and related liabilities of Winneshiek County health insurance fund as an internal service fund. The County's contribution to the fund for the year ended June 30, 2004 was \$457,810.

Amounts payable from the health insurance fund at June 30, 2004 total \$175,459 which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. An analysis of claims activity in the internal service fund follows:

	<u>2004</u>	<u>2003</u>
Beginning liability	\$ 139,807	\$ 116,328
Claims and changes in estimates	311,605	319,821
Claim payments	<u>(275,953)</u>	<u>(296,342)</u>
Ending liability	<u>\$ 175,459</u>	<u>\$ 139,807</u>

18. Restatement

Beginning net assets were restated due to the County recording capital assets, net of depreciation in the amount of \$7,084,459. The additional capital assets included land and buildings the County owns throughout the county. Winneshiek County is in the process of gathering information to record equipment used in the County offices.

WINNESHIEK COUNTY

BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2004

	Actual	Less Amounts not Budgeted	Budget Basis	Budget Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
RECEIPTS						
Property and other County tax	\$ 6,688,299		\$ 6,688,299	\$ 6,624,078	\$ 6,724,078	\$ (35,779)
Interest and penalty on property tax	64,951		64,951	45,150	45,150	19,801
Intergovernmental	6,528,900		6,528,900	7,453,840	7,312,990	(784,090)
Licenses and permits	13,777		13,777	12,700	12,700	1,077
Charges for service	584,902		584,902	469,449	574,149	10,753
Use of money and property	209,556		209,556	247,450	249,450	(39,894)
Miscellaneous	131,600	\$ 15,321	116,279	125,338	127,838	(11,559)
Total receipts	14,221,985	15,321	14,206,664	14,978,005	15,046,355	(839,691)
DISBURSEMENTS						
Public safety and legal services	1,470,927		1,470,927	1,628,759	1,659,850	188,923
Physical health and social services	1,384,574		1,384,574	1,488,376	1,516,376	131,802
Mental health	2,047,450		2,047,450	2,430,604	2,430,604	383,154
County environment and education services	955,560		955,560	1,043,124	1,048,124	92,564
Roads and transportation	4,456,347		4,456,347	4,444,230	4,844,246	387,899
Governmental services to residents	271,639		271,639	293,164	307,464	35,825
Administrative services	1,078,454		1,078,454	1,117,261	1,158,365	79,911
Nonprogram	3,344		3,344	5,500	8,150	4,806
Debt service	1,198,480		1,198,480	964,729	1,209,729	11,249
Capital project	1,131,120		1,131,120	1,795,750	1,897,250	766,130
Total disbursements	13,997,895	-	13,997,895	15,211,497	16,080,158	2,082,263
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	224,090	15,321	208,769	(233,492)	(1,033,803)	1,242,572
OTHER FINANCING SOURCES, NET	320,672		320,672	-	245,000	75,672
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	544,762	15,321	529,441	(233,492)	(788,803)	1,318,244
BALANCE, beginning of year	5,276,103		5,276,103	3,697,270	5,276,103	-
BALANCE, end of year	\$ 5,820,865	\$ 15,321	\$ 5,805,544	\$ 3,463,778	\$ 4,487,300	\$ 1,318,244

See Independent Auditor's Report.

WINNESHIEK COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION

For the Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,221,985	\$ (409,481)	\$ 13,812,504
Expenditures	13,997,895	(254,724)	13,743,171
Net	224,090	(154,757)	69,333
Other financing sources, net	320,672	-	320,672
Beginning fund balance	5,276,103	394,630	5,670,733
Ending fund balance	<u>\$ 5,820,865</u>	<u>\$ 239,873</u>	<u>\$ 6,060,738</u>

See Independent Auditor's Report.

WINNESHIEK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education services, roads and transportation, governmental services to residents, administrative services, nonprogram, debt service and capital projects. Function disbursement required to be budgeted include disbursements for the general fund, special revenue fund, and debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. The budget was amended on March 24, 2004 in accordance with Chapter 331.434 to 331.435 of the Code of Iowa. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office, by the County Agricultural Extension Council; for the County Assessor, by the County Conference Board; and for the E-911 System, by the Joint E-911 Service Board, and for Emergency Management Services by the County Emergency Management Commission.

Included in the amounts not budgeted is the forfeiture account used by the Sheriff's department.

See Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects on the information on the governmental activities explained in the third paragraph of our report on page 2, such information is fairly stated in all material respects, in relation to the basic financial statements as of and for the year ended June 30, 2004, taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Winneshiek County as of and for the year ending June 30, 2003, (none of which is presented herein). We expressed a qualified opinion on the governmental activities due to the omission of certain capital assets, net depreciation. We expressed unqualified opinions on the business-type activities, each major fund, and aggregate remaining fund information.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the general purpose financial statements of Winneshiek County as of and for the years ending June 30, 2002 and 2001, (none of which is presented herein). We expressed qualified opinions on the 2002 and 2001 general purpose financial statements due to the omission of the general fixed asset account group and certain inventories of the special revenue funds. In our opinion, the information set forth in the required supplementary information for each of the four years in the period ended June 30, 2004, appearing on page 48, is fairly stated, in all material respects in relation to the basic and general purpose financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
November 18, 2004

WINNESHIEK COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2004

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 297,520	\$ 9,295	\$ 306,815
Receivables			
Property tax			
Delinquent		180	180
Succeeding year		264,077	264,077
Accrued interest	218		218
Due from other funds	3,454		3,454
Total assets	\$ 301,192	\$ 273,552	\$ 574,744
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue			
Succeeding year property tax		\$ 264,077	\$ 264,077
Other		108	108
Total liabilities	-	264,185	264,185
Fund balances			
Reserved			
Debt service		9,367	9,367
Unreserved			
Special revenue funds	\$ 301,192		301,192
Total fund balances	301,192	9,367	310,559
Total liabilities and fund balances	\$ 301,192	\$ 273,552	\$ 574,744

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Property and other County tax		\$ 248,234	\$ 248,234
Intergovernmental	\$ 24,431	14,238	38,669
Charges for service	32,375		32,375
Use of money and property	2,536		2,536
Total revenues	<u>59,342</u>	<u>262,472</u>	<u>321,814</u>
EXPENDITURES			
Current			
Physical health and social services	4,362		4,362
County environment and education services	1		1
Governmental services to residents	34,008		34,008
Debt service		821,934	821,934
Total expenditures	<u>38,371</u>	<u>821,934</u>	<u>860,305</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>20,971</u>	<u>(559,462)</u>	<u>(538,491)</u>
OTHER FINANCING SOURCES			
Transfers in	5,000	310,056	315,056
General obligation note issued		245,000	245,000
	<u>5,000</u>	<u>555,056</u>	<u>560,056</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	25,971	(4,406)	21,565
FUND BALANCES, beginning of year	<u>275,221</u>	<u>13,773</u>	<u>288,994</u>
FUND BALANCES, end of year	<u>\$ 301,192</u>	<u>\$ 9,367</u>	<u>\$ 310,559</u>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2004

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Recorder's Transaction Fund	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and pooled investments	\$ 166,909	\$ 74,495	\$ 31,259	\$ 7,421	\$ 17,436	\$ 297,520
Receivables						
Accrued interest	190			28		218
Due from other funds				1,254	2,200	3,454
Total assets	<u>\$ 167,099</u>	<u>\$ 74,495</u>	<u>\$ 31,259</u>	<u>\$ 8,703</u>	<u>\$ 19,636</u>	<u>\$ 301,192</u>
LIABILITIES AND FUND BALANCES						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances						
Unreserved						
REAP grant	167,099					167,099
Water testing		74,495				74,495
Other			31,259	8,703	19,636	59,598
Total fund balances	<u>167,099</u>	<u>74,495</u>	<u>31,259</u>	<u>8,703</u>	<u>19,636</u>	<u>301,192</u>
Total liabilities and fund balances	<u>\$ 167,099</u>	<u>\$ 74,495</u>	<u>\$ 31,259</u>	<u>\$ 8,703</u>	<u>\$ 19,636</u>	<u>\$ 301,192</u>

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2004

	REAP Grant	Water Testing Grant	Conservation Land Acquisition Fund	Recorder's Records Management	Recorder's Transaction Fund	Total Nonmajor Special Revenue Funds
REVENUES						
Intergovernmental	\$ 11,869	\$ 12,562				\$ 24,431
Charges for service				\$ 7,486	\$ 24,889	32,375
Use of money and property	2,121			360	55	2,536
Total revenues	13,990	12,562	-	7,846	24,944	59,342
EXPENDITURES						
Current						
Physical health and social services		4,362				4,362
County environment and education services	1					1
Governmental services to residents				28,700	5,308	34,008
Total expenditures	1	4,362	-	28,700	5,308	38,371
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,989	8,200	-	(20,854)	19,636	20,971
OTHER FINANCING SOURCES						
Transfers in			\$ 5,000			5,000
FUND BALANCES, beginning of year	153,110	66,295	26,259	29,557		275,221
FUND BALANCES, end of year	\$ 167,099	\$ 74,495	\$ 31,259	\$ 8,703	\$ 19,636	\$ 301,192

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2004

	Burr Oak Sewer Sinking Fund	Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
ASSETS					
Cash and pooled investments	\$ 554	\$ 6	\$ 7,261	\$ 3,100	\$ 10,921
Total assets	\$ 554	\$ 6	\$ 7,261	\$ 3,100	\$ 10,921
LIABILITIES AND NET ASSETS					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Net assets					
Restricted	554	6	7,261	3,100	10,921
Total liabilities and net assets	\$ 554	\$ 6	\$ 7,261	\$ 3,100	\$ 10,921

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 For the Year Ended June 30, 2004

	Burr Oak Sewer Sinking Fund	Festina Sewer Sinking Fund	Burr Oak Sewer Reserve Fund	Festina Sewer Reserve Fund	Total Nonmajor Enterprise Funds
OPERATING TRANSFERS					
Transfer in	\$ 6,228	\$ 7,344	\$ 636	\$ 744	\$ 14,952
Transfer out	(6,226)	(7,342)			(13,568)
Total operating transfers	2	2	636	744	1,384
Net income	2	2	636	744	1,384
NET ASSETS, beginning of year	552	4	6,625	2,356	9,537
NET ASSETS, end of year	\$ 554	\$ 6	\$ 7,261	\$ 3,100	\$ 10,921

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2004

	County Offices	Agricultural Extension Education	Assessor	Schools	Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS										
Cash and pooled investments										
County Treasurer		\$ 2,301	\$ 82,447	\$ 149,389	\$ 6,686	\$ 45,938	\$ 4,198	\$ 375,579	\$ 239,258	\$ 905,796
Other County officials	\$ 60,302									60,302
Receivables										
Property tax										
Delinquent		102	146	6,654	285	2,204	146		413	9,950
Succeeding year		155,525	219,504	10,397,911	435,686	3,120,619	242,971		629,983	15,202,199
Accounts	5,830								18,090	23,920
Accrued interest									151	151
Prepaid insurance			1,775							1,775
Total assets	\$ 66,132	\$ 157,928	\$ 303,872	\$ 10,553,954	\$ 442,657	\$ 3,168,761	\$ 247,315	\$ 375,579	\$ 887,895	\$ 16,204,093
LIABILITIES										
Accounts payable			\$ 10,324						\$ 3,575	\$ 13,899
Salaries and benefits payable			6,327						691	7,018
Due to other funds	\$ 45,859							\$ 10,887		56,746
Due to other governments	9,107	\$ 157,928	282,432	\$ 10,553,954	\$ 442,657	\$ 3,168,761	\$ 247,315	364,692	883,629	16,110,475
Trusts payable	11,166									11,166
Accrued compensated absences			4,789							4,789
Total liabilities	\$ 66,132	\$ 157,928	\$ 303,872	\$ 10,553,954	\$ 442,657	\$ 3,168,761	\$ 247,315	\$ 375,579	\$ 887,895	\$ 16,204,093

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	Assessor	Schools	Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS AND LIABILITIES										
BALANCE, beginning of year	\$ 78,647	\$ 2,024	\$ 93,890	\$ 131,325	\$ 5,853	\$ 17,182	\$ 4,055	\$ 339,939	\$ 358,153	\$ 1,031,068
ADDITIONS										
Property and other County tax		139,948	211,137	9,113,348	406,577	3,249,486	236,561		568,874	13,925,931
State tax credits		8,118	12,248	527,725	23,586	155,154	14,480		32,995	774,306
Drivers license fees								105,624		105,624
Office fees and collections	275,298		2,136							277,434
Auto license, use tax and postage							4,356,894			4,356,894
E-911 telephone surcharges									78,032	78,032
Miscellaneous	55,925		15,118						399,570	470,613
Assessments									37,800	37,800
Trusts	100,596									100,596
Total additions	431,819	148,066	240,639	9,641,073	430,163	3,404,640	251,041	4,462,518	1,117,271	20,127,230
DEDUCTIONS										
Agency remittances								128,182		378,883
To other funds	250,701									
To other governments	83,614	147,687		9,616,355	429,045	3,373,680	250,752	4,298,696	711,590	18,911,419
Trusts paid out	96,193									96,193
Miscellaneous	13,826		250,161						505,922	769,909
Total deductions	444,334	147,687	250,161	9,616,355	429,045	3,373,680	250,752	4,426,878	1,217,512	20,156,404
BALANCE, end of year	\$ 66,132	\$ 2,403	\$ 84,368	\$ 156,043	\$ 6,971	\$ 48,142	\$ 4,344	\$ 375,579	\$ 257,912	\$ 1,001,894

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 All GOVERNMENTAL FUND TYPES
 Years Ended June 30,

	Modified Accrual			
	2004	2003	2002	2001
REVENUES				
Property and other County tax	\$ 5,728,954	\$ 5,745,793	\$ 5,340,870	\$ 3,897,373
Local option sales tax	958,144	954,606	955,149	1,013,030
Interest and penalty on property tax	65,567	56,975	52,632	51,047
Intergovernmental	6,133,510	6,134,465	6,319,296	5,908,423
Licenses and permits	13,577	9,317	9,420	7,251
Charges for service	566,941	533,625	443,851	405,291
Use of money and property	209,672	241,446	237,426	358,311
Miscellaneous	136,139	64,201	653,333	379,327
Total revenues	\$ 13,812,504	\$ 13,740,428	\$ 14,011,977	\$ 12,020,053
EXPENDITURES				
Current				
Public safety and legal services	\$ 1,491,544	\$ 1,336,837	\$ 1,365,803	\$ 1,347,048
Physical health and social services	1,381,162	1,434,542	1,374,493	1,346,398
Mental health	2,113,732	2,291,141	2,354,933	2,335,054
County environment and education services	943,942	983,901	800,079	802,340
Roads and transportation	4,495,658	3,484,717	3,461,794	4,018,658
Governmental services to residents	275,390	254,917	243,726	223,179
Administrative services	1,080,717	1,020,258	949,361	1,027,352
Nonprogram	3,344	4,804	14,928	287,405
Debt service	821,934	578,122	584,241	270,903
Capital project	1,135,748	1,142,002	2,026,209	1,241,629
Total expenditures	\$ 13,743,171	\$ 12,531,241	\$ 13,175,567	\$ 12,899,966

See Independent Auditor's Report on the Supplementary Information.

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

<u>Section I: Summary of the Independent Auditor's Results</u>	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
Financial Statements			
Type of auditor's report issued: qualified.			
Internal control over financial reporting:			
◆ Material weakness(es) identified?		X	
◆ Reportable condition(s) identified that are not considered to be material weaknesses?	X		
◆ Noncompliance material to financial statements noted?			X
Federal Awards			
Internal control over major programs:			
◆ Material weakness (es) identified?		X	
◆ Reportable condition(s) identified that are not considered to be material weakness(es)?	X		
Type of auditor's report issued on compliance for major programs: unqualified.			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?			X
Identification of major programs			
CFDA Number 20.205, Highway Planning and Construction			
Dollar threshold used to distinguish between Type A and Type B programs: \$300,000			
Auditee qualified as low-risk auditee?			X

Section II: Findings Related to the Financial Statements

04-1 Segregation of Duties

One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Bank deposits are prepared by the same person who opens the bank statement. Disbursements and checks are prepared by one person.

Recommendation

While we do recognize that the County is not large enough to permit a segregation of duties for an effective internal control structure, we believe that it is important that the Board be aware that the condition does exist.

Response and Corrective Action Planned

We segregate duties in our offices as much as possible, and will strive to improve internal controls where possible.

Conclusion

Response accepted.

WINNESHIEK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Section III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance - None

Reportable condition -

CFDA Number 20.205, Highway Planning and Construction

Federal Award Year: 2004

U.S. Department of Transportation

Passed through Iowa Department of Transportation

See 04-1 above

Section IV: Other Findings Related to Required Statutory Reporting

See management letter dated November 18, 2004

Section V: Summary of Prior Federal Audit Findings and Questioned Costs

N/A

WINNESHIEK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect			
U.S. Department of Agriculture Passed through Iowa Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	\$ 10,809
Department of Housing and Urban Development Passed through Iowa Department of Economic Development Community Development Block Grant	14.228	02-CF-027	38,659
Department of Transportation Passed through Iowa Department of Transportation Highway Planning and Construction	20.205	BROS-CO96(66)--8J-96 BROS-CO96(73)--8J-96 BROS-CO96(69)--8J-96	77,482 69,291 282,414 <u>429,187</u>
Passed through Iowa Department of Public Safety State and Community Highway Safety	20.604	PAP 04-157, Task 175	3,450
Sub-total Department of Transportation			<u>432,637</u>
Department of Health and Human Services Passed through Iowa Department of Human Rights Temporary Assistance for Needy Families	93.558	FaDSS-03-25-F4 LAE Reimbursement	117,380 14,038 <u>131,418</u>
Passed through Iowa Department of Public Health Public Health and Social Services Emergency Fund	93.003	5883BT98	17,255
Immunization Grants	93.268	5883I425 5884I425	3,656 513 <u>4,169</u>
Maternal and Child Health Services Block Grant to the States	93.994	5883MC03 5884MC03	839 3,975 <u>4,814</u>
Passed through Hancock County Public Health Services Public Health and Social Services Emergency Fund	93.003	BT04016	31,795

See Independent Auditor's Report on the Schedule of Federal Awards.

WINNESHIEK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect (Continued)			
Department of Health and Human Services (Continued)			
Passed through Iowa Department of Human Services			
Social Services Block Grant	93.667	96-001 LAE Reimbursement	\$ 77,289 9,230
			<u>86,519</u>
Other Federal Financial Assistance			
Human Services Administrative Reimbursements			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	47
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	2,568
Foster Care - Title IV-E	93.658	LAE Reimbursement	6,403
Adoption Assistance	93.659	LAE Reimbursement	1,706
Medical Assistance Program	93.778	LAE Reimbursement	14,089
			<u>24,813</u>
Sub-total Department of Health and Human Services			<u>300,783</u>
Federal Emergency Management Agency			
Passed through Iowa Department of Public Defense			
State Domestic Preparedness Equipment Support Program	97.004	SHSGP	2,178
Emergency Management Performance Grants	97.042	EMPG	8,715
State and Local All Hazards Emergency Operations Planning	97.051	Planning	4,040
			<u>14,933</u>
Subtotal Federal Emergency Management Agency			<u>14,933</u>
Total Federal Financial Assistance			<u>\$ 797,821</u>

See Independent Auditor's Report on the Schedule of Federal Awards.

WINNESHIEK COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2004

Note 1.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Winneshiek County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2.

Loans Outstanding

Winneshiek County has outstanding notes payable to the Rural Housing and Community Development Service totaling \$92,732 and \$128,144 as of June 30, 2004. The proceeds from these notes were advanced under the Water and Waste Disposal Systems for Rural Communities Program.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County as of and for the year ended June 30, 2004, which collectively comprise Winneshiek County's basic financial statements and have issued our report thereon dated November 18, 2004. The report on governmental activities was qualified because of the omission of certain capital assets, net depreciation. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winneshiek County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Winneshiek County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 04-1. The reportable condition was unresolved from the prior year.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Winneshiek County in a separate letter dated November 18, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winneshiek County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Winneshiek County in a separate letter dated November 18, 2004.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
November 18, 2004

HACKER, NELSON & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

Compliance

We have audited the compliance of Winneshiek County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Winneshiek County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Winneshiek County's management. Our responsibility is to express an opinion on Winneshiek County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winneshiek County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Winneshiek County's compliance with those requirements.

In our opinion, Winneshiek County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Winneshiek County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Winneshiek County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Winneshiek County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questions Costs at Item 04-1. The reportable condition was unresolved from the prior year.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winneshiek County, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 18, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Winneshiek County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
November 18, 2004

MANAGEMENT LETTER

To the Board of Supervisors
Winneshiek County
Decorah, Iowa

In planning and performing our audit of the financial statements of Winneshiek County as of and for the year ended June 30, 2004, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 11 below are compliance comments required by the Iowa Auditor of State. A separate report dated November 18, 2004, contains our report on reportable conditions in the County's internal control structure. This letter does not affect our report dated November 18, 2004 on the financial statements of Winneshiek County. Comments 11, 13 and 14 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Official Depositories

A resolution naming official depositories has been approved by the Board. The maximum deposit amount stated in the resolution for the recorder's office was exceeded.

Recommendation

We recommend that the depository resolutions be reviewed to ensure that the limits are not exceeded during the year.

Response

The Recorder's office had a high number of re-financed mortgages that increased revenue from recording. We will ask the Supervisors to increase the limit.

Conclusion

Response accepted.

2. Certified Budget

Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted in total. The medical examiner department appropriations were exceeded prior to passing the budget amendment.

Recommendation

We recommend that the appropriations are reviewed and amendments approved prior to them being exceeded.

Response

We will watch this closer in the future and not disburse warrants until the amendment (if needed) is done.

Conclusion

Response accepted.

3. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

4. Travel Expense

No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.

5. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2004.

6. Bond Coverage

Surety bond coverage of County officials and employees is in accordance with statutory provisions.

7. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.

8. Resource Enhancement and Protection Certification

The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with Subsections (b)(2) and (b)(3).

9. County Extension Office

The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A through D.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.

10. Deposits and Investments

The County has entered into a public funds custodial agreement for certain of its governmental securities held in safekeeping as required by Chapter 15 of the Treasurer of State's administrative rules.

It was noted that the Treasurer's office received an interest rate of .5% on a certificate of deposit which does not meet the minimum rate of interest set by the State Rate Setting Committee of .8%.

Recommendation

We recommend that certificates of deposits should only be approved if they meet the minimum interest rate requirements. The financial institution should be notified and the rate adjusted.

Response

We have cashed the certificate of deposits and put the proceeds into a money market account with a higher interest rate.

Conclusion

Response accepted.

11. Property and Equipment Records

A partial record of the County's fixed assets is maintained by individual offices. Property journal totals have not been summarized, nor has reconciliation been performed to balance additions and deletions to the general ledger.

Recommendation

We recommend that complete property and equipment records be developed. In addition, to facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the fixed assets records. Management may want to consider the employment of an outside consulting firm to maintain its property records.

Response

We should be able to get all fixed assets and inventory done for fiscal year 2006.

Conclusion

Response accepted.

12. Solid Waste Fees Retainage

During the year ended June 30, 2004, the solid waste fees established by Chapter 455E.11(2), (11), (13) and (15) of the Code of Iowa, were administered by Winneshiek County Area Solid Waste Agency. The agency is a 28E organization of which Winneshiek County is a member.

13. Fund Balance Deficit

Upon review of monthly fund balances, we noticed that the emergency management commission had a fund balance deficit during the year. In accordance with Chapter 331.476 of the Code of Iowa, no official should issue a warrant, execute a contract, or allow a claim, which would result in expenditures to exceed revenue collected during the fiscal year plus any unexpended balance from prior year.

Recommendation

We recommend the County expenditures not exceed the revenues collected during the fiscal year plus unexpended balances from prior year in the individual funds. The County would then be in compliance with Chapter 331.476 of the Code of Iowa.

Response

The County will disburse the yearly appropriation for emergency management earlier in the year.

Conclusion

Response accepted.

14. Recorder's Office

During our audit of the recorder's office we noticed that checks were back dated to the month end date.

Recommendation

We recommend that checks be dated as of the day they are written.

Response

We will try to issue the checks in a timely manner.

Conclusion

Response accepted.

15. Disbursements

During our audit, we noticed various items that were not in compliance with Board policy. There were five invoices that were paid without being approved by the department head.

Recommendation

We recommend that all invoices be reviewed to note approval before being paid.

Response

We will try to do a better job of having the department heads approve invoices.

Conclusion

Response accepted.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Winneshiek County during the course of our examination.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
November 18, 2004